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LOANS TO ASSOCIATIONS FOR SHIFTS IN LAND USE

- Recreation
- Grasslands
- Forestry
- Other Enterprises

The Farmers Home Administration, under the provisions of the Consolidated Farmers Home Administration Act of 1961 as amended by the Food and Agriculture Act of 1962, makes loans to groups of farmers and rural residents for shifts in land use. These loans can be used to develop recreational facilities, grazing areas and forest lands. Technical management will be provided with each loan.

Loans are made only to groups who are unable to obtain the credit they need from other sources on reasonable terms.

Questions and answers explaining details of these loans follow:

Who may borrow?

Organizations operating on a nonprofit basis, such as: nonprofit corporations; irrigation, water supply, soil conservation or grazing districts; recreation associations; and small country towns and other rural political subdivisions are eligible for loans when:

1. They are unable to obtain needed credit elsewhere.

2. The proposed facility primarily serves farmers and rural residents either by direct use or by economic benefits.

3. They have legal capacity to borrow and repay money, to pledge security for loans and to operate the facilities or services to be installed with the loan funds.

4. They are financially sound and will be effectively organized and managed.

Who is a rural resident?

A person who lives the year round in the open country or a small rural community with population of not more than 2,500.

How may loan funds be used?

Loan funds may be used to finance shifts in land use including:

1. The conversion of cropland to grazing areas and forests and the conversion of land to uses that promote better conservation of soil and water resources.

2. Reorganization of farm management units, grazing areas or districts or irrigation areas.

3. Development of wildlife areas.

4. Development of recreational areas, including the development of:

   a. Ponds, lakes, picnic areas and parks.

   b. Sports areas including athletic fields and facilities, golf courses, target ranges and ski slopes.

   c. Camping facilities, such as tent platforms, dining halls, cabins, electric and water connections for trailers and sanitation facilities and roadways.

   d. Forest trails and natural scenic attractions.

   e. Fishing waters together with boats, docks and other related facilities.

   f. Hunting areas and preserves.

   g. Access roads necessary to connect recreational areas with public roadways.

   h. Parking areas in connection with recreational facilities.

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Where and how are applications made?

Applications for loans are made at the local county offices of the Farmers Home Administration. The county supervisor in charge of the office will be glad to discuss services available from the agency and explain how to prepare a written application.

What are the dollar limits?

An association's total indebtedness cannot exceed $500,000 when the loan is made from appropriated funds and $1 million when made from insured funds.

What are the time limits?

Loans are scheduled for repayment within the shortest time consistent with the borrower's ability to pay. The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the association's borrowing authority nor the useful life of the improvement or facility to be financed.

What is the interest rate?

The interest rate on a direct loan is 4-1/2 percent. The interest rate on insured loans varies but may not exceed 5 percent.

What security is required?

All loans to associations will be secured in a manner which adequately protects the interest of the Government. Mortgages will be taken on association facilities when State laws permit. Bonds or notes pledging taxes, assessments or revenues may also be accepted as security if they meet statutory requirements.

Where will applicants obtain technical help?

The Farmers Home Administration will assist the applicant in making preliminary determinations regarding the engineering feasibility, economic soundness, cost estimates, organization, financing and management matters in connection with the proposed improvements.

After preliminary determinations have been made, applicants will be expected to provide the technical services necessary to design the improvements, prepare estimates of costs and complete arrangements for organization and financing. However, if the applicant lacks the resources to carry out this work, the Farmers Home Administration may provide additional technical assistance.

If a loan is made, the Farmers Home Administration will make periodic inspections to see that funds are used as agreed upon and that construction meets approved standards.

U. S. Department of Agriculture
Farmers Home Administration

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